

## Consolidated Earnings Report for Fiscal 2005, Ended March 31, 2005

May 19, 2005

Company name: Ryosan Co., Ltd.

Stock listings: Tokyo Stock Exchange (First Section)

Code number: 8140

Location of head office: Tokyo

(URL://www.ryosan.co.jp)

Representative director: Tatsuo Ui, President

Inquiries:

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Date of the Board of Directors meeting to settle the year-end consolidated accounts: May 19, 2005

U.S. GAAP not applied

### 1. Results for the Fiscal Year Ended March 31, 2005

#### (1) Operating results

Figures less than ¥1 million have been omitted

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2005	317,095	10.0	9,816	23.3	10,541	18.0
Fiscal 2004	288,240	12.8	7,964	19.3	8,930	17.6

	Net income		Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-equity ratio	Ordinary income-to-net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal 2005	5,867	2.8	158.53	158.36	5.4	6.0	3.3
Fiscal 2004	5,705	53.2	150.27	-	5.3	5.4	3.1

Notes: ① Equity in earnings of non-consolidated subsidiaries and affiliates

FY2005 Millions of yen FY2004 Millions of yen

② Average number of outstanding shares:

FY2005: 36,482,012 shares FY2004: 37,508,731 shares

③ Changes in accounting methods: None

④ Year-on-year changes for net sales, operating income, ordinary income and net income are based on the previous year

#### (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2005	176,943	111,714	63.1	3,061.35
Fiscal 2004	172,321	107,610	62.5	2,934.68

Note: Number of shares issued and outstanding at fiscal year-end:

FY2005 36,464,368 shares

FY2004 36,644,940 shares

#### (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2005	(8,213)	2,525	834	25,737
Fiscal 2004	1,511	(2,421)	(3,596)	30,663

#### (4) Number of Subsidiaries and Affiliates

Consolidated subsidiaries: 8

Non-consolidated subsidiaries accounted for by the equity method: 0

Equity-method affiliates: 0

#### (5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries (New): 0

Consolidated subsidiaries (Eliminated): 2

Equity-method affiliates (New): 0

Equity-method affiliates (Eliminated): 0

### 2. Forecast for the Fiscal Year Ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	150,000	4,200	4,500	2,600
Fiscal year-end	320,000	10,000	10,600	6,300

(Reference) The estimated net income per share for the year ending March 31, 2005 is ¥172.77

The above estimates were made based on the information available as of the date of this release. Actual results could significantly differ from the above estimates due to a variety of factors. Please refer to Section 3—Management Results on page 10 of the attached materials for more information related to the estimates.

## 1. Group Enterprise

The Ryosan Group comprises Ryosan Company, Limited, 8 consolidated subsidiaries, 9 non-consolidated subsidiaries and 1 affiliated company. The group operates as a trading firm that specializes in semiconductors, electronic components and equipment, which it sells to electronic equipment manufacturers both domestically and overseas. It also develops, manufactures and sells its own and other products.

Information about industry segments of the group for the fiscal year ended March 31, 2005 was as follows:

Segment	Main Products	Sales Companies	Development and Manufacturing Companies
Semiconductors	Memories System LSIs Discrete semiconductors	Ryosan Company, Limited	
Electronic Components	Display devices Power supplies Mechanical components	Hong Kong Ryosan Limited Singapore Ryosan Private Limited Ryotai Corporation	
Electronic Equipment	System equipment Facilities equipment	Ryosan IPC (Malaysia) Sdn. Bhd. Korea Ryosan Corporation	
Ryosan Products	Heat sinks (for semiconductor devices)	Zhong Ling International Trading (Shanghai) Co., Ltd.	Ryosan Company, Limited Ryosan Engineering (Malaysia) Sdn. Bhd. Ryosan Engineering (Thailand) Co., Ltd.

Notes:

1. On September 28, 2004, Ryosan completed the liquidation of consolidated subsidiary Road Company, Limited.
2. Consolidated subsidiary Ryosan IPC (Malaysia) Sdn. Bhd. took over the business of consolidated subsidiary Ryosan (Malaysia) Sdn. Bhd., which became a non-consolidated subsidiary due to its minimal impact on business results as a consolidated subsidiary.

Information about non-consolidated subsidiaries for the fiscal year ended March 31, 2005 was as follows:

Company Name	Business Area
Will Business Services Company, Limited	Insurance agent and building maintenance
EC Ryosan Company, Limited	Sales agent for electronic components
Ryosan Technologies USA Inc.	Semiconductor and electronic component sales and servicing
Ryosan (Thailand) Co., Ltd.	Sales of and sales agent for semiconductors and electronic components
Dalian F.T.Z. Ryosan International Trading Co., Ltd.	Sales of semiconductors and electronic components

## **2. Management Policies**

### **(1) Fundamental Management Policies**

Ever since Ryosan was established, the Ryosan Group has always been highly conscious of the fact that the corporation is a public institution. In addition, we now no longer see ourselves simply as a trading company, but as an electronics system coordinator, providing a vital link between our customers' needs and electronics technology. We aim to achieve consistent long-term growth by stressing this social consciousness and our new role as a system coordinator.

Three functions are vital to fulfilling our ambition of becoming an electronics system coordinator—the Information Function (Supplying data), the Solution Function (Supplying technology), and the Distribution Function (Supplying logistics). By constantly enhancing these three functions, Ryosan will raise customer satisfaction and increase its existence value.

### **(2) Basic policy regarding the allocation of profits**

Ryosan recognizes that the return of earnings to shareholders is one of the company's important business policies, and the company also works to increase the consolidated basic net income per share. Ryosan's fundamental policy concerning returning earnings to shareholders is to maintain and try to increase dividend payments.

The details of the company's dividend policy are set out in each successive Med-term management plan. The current 6th Mid-term Management Plan from fiscal 2005 through to fiscal 2007 sets forth the allocation of consolidated net income to three areas: shareholder dividends, company stock buybacks and growth strategy investment. The plan calls for Advancing Financial Strategies for Improved Corporate Value.

Based on this policy, Ryosan planned to actively repurchase treasury stock. However, more than 4 million shares had been repurchased under the previous 5th Med-term management plan, therefore more repurchases of treasury stock at this stage could run the risk of lowering the liquidity of the company's shares. As a result, Ryosan decided to change part of this policy and consider increasing the proportion of the shareholder dividend.

Consequently, the company plans to increase the year-end dividend to ¥40 per share, and the full-year dividend to ¥60 per share. Ryosan's dividend policy from next fiscal year onwards is to continue giving ample consideration to the balanced allocation of profits to the three areas while actively returning earnings to shareholders.

Furthermore, having taken into account consolidated basic net income per share, the company is considering implementing a system of directors' bonuses linked to consolidated ordinary income. Ryosan is also considering implementing a remuneration system (Final bonus) linked to consolidated operating income for all Ryosan Group members as an incentive to increase earnings.

### **(3) Policy on reducing Ryosan's trading unit**

Ryosan's capital strategy recognizes the importance of expanding its shareholder base and making Ryosan shares easier to trade. This recognition prompted Ryosan to reduce its trading unit from 1,000 shares to 100 shares in August 2001.

### **(4) Targeted management indicators**

The Ryosan Group has adopted ROE and net income per share as key management indicators. Guided by these benchmarks, the Company aims to pursue greater returns on equity and continue to secure financial soundness to further improve corporate value.

Furthermore, in line with the current 6th Mid-term Management Plan we aim to maintain a shareholders' equity ratio of over 60%, an ROE of 5% or more and net income per share of at least ¥150.

#### **(5) Med- and long-term management strategies**

The Ryosan Group is tackling needed new reforms in line with its 6th Mid-term Management Plan, covering the 3-year period from fiscal 2005 through to fiscal 2007. Fiscal 2006 is the second year of the 6th Mid-term Management Plan and in line with its "Basic Situation", Ryosan continues to focus on "Pursuing Management Essence, Advancing Management Innovation, and Yielding Management Results." are the key to conducting "Open and Transparent Corporate Management," and "Business Activities with Abundant Creativity."

To realize its Basic Situation, Ryosan is forcefully pushing ahead with the following "Three Basic Strategies": the Growth Strategy, Segment Strategy, and Establishment of a Strong Business Infrastructure.

##### 1. Growth Strategy as a system coordinator:

We will establish 4 business models:

Business Growth through Effective M&A

Commercialize the Fabless Semiconductor Business

Expand the New-resource Semiconductor Business

Establish a New Business model for the China region, including Hong Kong, China, Taiwan and Korea (revised)

##### 2. Segment Strategy as a system coordinator:

We will qualitatively strengthen individual strategies for 4 product segments:

Semiconductor Business Strategy: Strategic, mainstay business

Electronic Components Business Strategy: Stable cornerstone business

Electronic Equipment Business Strategy: Synergy-driving business

Products Business Strategy: Signature trading business

##### 3. Establishment of a Strong Business Infrastructure that supports growth and reinforces operations:

We will implement 5 management reforms:

Establish Highly Social Corporate Governance

Further Reform the Personnel System

Strengthen Implementation of BPR

Improve Quality of Business Framework

Strengthen RS (Ryosan Spirit) Culture

#### **(6) Issues to be addressed**

In the semiconductor industry, the Ryosan Group's primary industry, this year will probably see modest adjustments in the production of electronic devices. Demand for semiconductor devices is also anticipated to continue to feature no growth. A predominant trend among semiconductor makers will be to make further efforts to select and concentrate resources on strategic businesses in an environment of burgeoning capital investments.

Moreover, it is inevitable that once demand lulls in the semiconductor market, the makers will raise about the merits of using semiconductor trading companies amidst discussions centering on "the

restructuring of sales routes' and 'the shortcomings of policies supporting vertically integrated sales routes (incorporating sales agents and the like)'. Once this point is reached, the number of business areas to which semiconductor trading companies will be admitted entry can be expected to dwindle and their survival will be increasingly threatened. This will lead to extended attempts by these semiconductor trading companies to develop new business opportunities.

In line with these trends among semiconductor makers, the Ryosan Group has chosen to expand its business operations through multiple vendors and actively promote this multi-vendor approach in order to ensure continued survival and steady corporate growth in the future.

Efforts are being made to improve the earnings structures of the Ryosan Group. We continue to strengthen detailed procedures to track performance at each of our sales offices and manufacturing units, both in Japan and overseas. We have established a healthy operating framework by having a strengthened management observe how much is earned before spending at each sales office and manufacturing unit, aiming to improve earnings.

The Ryosan Group is determined to improve its business results by raising its corporate value in the electronics market and reaping commensurate rewards, thereby meeting the expectations of our shareholders.

#### **(7) Corporate governance—fundamental philosophy and policies**

(Fundamental corporate governance philosophy)

Ryosan has established the following three management principles.

1. Corporate growth as a Mission-oriented company: Principle defining growth as “the increase in the extent of Mission-realization”
2. Creation of Corporate Value: Principle defining growth as “the increase in the extent of stockholder value”
3. The increase in the extent of Value-exchange: Principle defining growth as “the increase in the extent of value-exchange with stakeholders”

Based on these management principles, Ryosan is working to reinforce corporate governance.

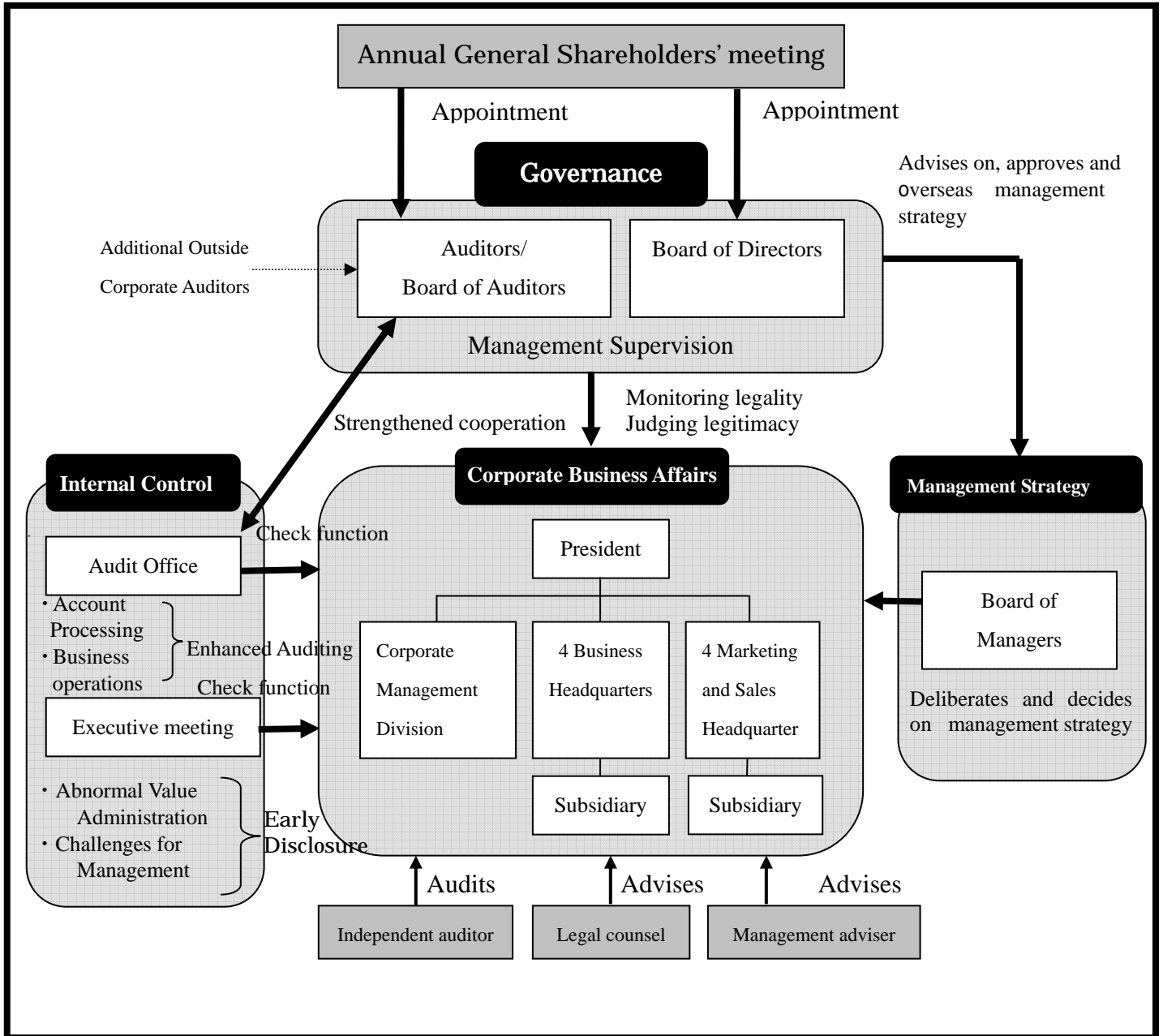
Corporate governance policies

- (1) Corporate governance framework—organizational structure for management decision-making, operational execution, auditing and other procedures

Ryosan has clarified the roles and responsibilities of the representative director and president with respect to corporate governance and management of day-to-day operations (management strategy and corporate business affairs). As regards directors' management procedures, the Board of Directors' role is to advise on, approve, and oversee management strategy as well as corporate governance, whereas the Management Committee's role is to deliberate and decide on management strategy.

To establish a distinctive management style at Ryosan, Board members concurrently assume roles and responsibilities in the three functions of corporate governance, management strategy, and corporate business affairs. To ensure adequate supervision, Ryosan adopts a corporate auditor system.

The following diagram shows an overview of Ryosan's corporate governance framework.



## An outline of the Internal Audit, Auditors Audit and Accounting Audit

### Internal Audit

Audit office, whose two staff report directly to the president, is responsible for conducting internal audits of all units and departments, in accordance with an audit program drawn up at the beginning of the fiscal year. Audit results are reported in writing directly to the president, directors and auditors. Based on the results, the Audit Office administers guidance for improvement to the audited departments.

### Auditors Audit

The Auditors Audit comprises a team of four, including two outside auditors. In addition to regularly attending meetings of the Board of Directors, auditors also attend the Board of Managers that deliberate and decide on management strategy, and focus on compliance with relevant laws and regulations and articles of incorporation, and on any possible conflict with shareholder interests.

The Board of Auditors, acting in cooperation with the Audit Office, conducts periodic audits of the operations of all units and departments.

The Board of Auditors also receives audit reports from independent auditors and assesses the reports to determine the appropriateness of the results.

### Accounting Audit

Deloitte Touche Tohmatsu audits the consolidated and non-consolidated financial statements of the Company in accordance with the requirements of the Commercial Code of Japan and the Securities Exchange Law of Japan.

### Accounting Audit System

Engagement Partners

Name of Certified Public Accountant			Audit Corporation	
Partner	Engagement partner	Shinji Murakami	Deloitte Touche Tohmatsu	
Partner	Engagement partner	Konosuke Misawa		

Particulars of compensation paid to directors and auditors  
(Compensation paid to directors and auditors)

Item	Directors		Auditors	
	Number	Amount	Number	Amount
Compensation based on articles of incorporation and resolution of annual general shareholders' meeting	13	¥229 million	6	¥36 million
Directors' bonuses appropriated from retained earnings	12	¥69 million	-	-
Retirement benefits approved by resolution of annual general shareholders' meeting	1	¥59 million	2	¥11 million
Total		¥358 million		¥47 million

Notes:

1. The above amounts do not include the wage portion (¥27 million) of employees who are also directors.
2. The number of directors (11) as of the end of the fiscal year differs from the number of directors indicated as receiving compensation in the above table, because one director resigned in the fiscal year under review.
3. The number of auditors (4) as of the end of the fiscal year differs from the number of auditors indicated as receiving compensation in the above table, because two auditors resigned in the fiscal year under review.

### **Compensation for auditors**

Compensation paid to Deloitte Touche Tohmatsu, Ryosan's independent auditors.

Compensation for Independent Auditors Report in accordance with the Audit Agreement:

¥30 million

(2) Overview of personal relationships, equity relationships, business relationships, and other ties with related parties of outside board members and auditors with the company

Ryosan currently does not appoint any outside directors. The company's outside auditor is not a former employee of the Ryosan group.

(3) Actions taken over the past year to improve corporate governance

In the fiscal year ended March 31, 2005, the Board of Directors held a total of 14 meetings. The Board of Managers met 18 times in the same period. In principle, directors, who are responsible for managing the execution of day-to-day operations, and auditors, attend all Board of Managers Meetings. The intent of this requirement is to further strengthen corporate governance.

The Audit Committee held a total of 12 meetings during the fiscal year.

### **3. Results of Operations**

#### **(1) Outline of consolidated results for the fiscal year ended March 31, 2005**

##### 1. Overview

During the fiscal year ended March 31, 2005, the domestic economy, underpinned by favorable macroeconomic conditions worldwide, was generally strong, though there were growing fears about the impact of rising oil prices, resulting from strong demand for crude oil, on the economy and corporate profit.

Production in the electronics industry, Ryosan's main area of operations, was strong early in the year under review, mirroring healthy demand for digital home electronic products. However, from around last summer, uncertainties about the future outlook started to spread, as demand for semiconductors and electronic components slowed amidst production adjustment in digital consumer products, including cellphones and digital still cameras.

Under these conditions, the Ryosan Group worked to achieve its growth strategy of expanding business in new-resource semiconductor products and increasing sales to new customers captured through acquisition of marketing licenses. At the same time, Ryosan worked to improve its earnings structures.

As a result of the above and other factors, Ryosan recorded increases in both sales and earnings. Consolidated net sales totaled ¥317,095 million, up 10.0% from the previous year. Operating income totaled ¥9,816 million, rising 23.3%, while ordinary income totaled ¥10,541 million, up 18.0%. Net income increased 2.8% to ¥5,867 million.

##### 2. Business segment information

###### a. Semiconductors

The Ryosan Group sells memories, system LSIs and discrete semiconductors, and plans and develops system LSIs. In the year under review, sales rose for ASICs for hard disk drives and cellphones, ICs used in car audios, and memories used in personal computers and cellphones. As a result, net sales in the segment rose 15.8% to ¥168,278 million and operating income rose 17.5% to ¥6,714 million.

###### b. Electronic components

The Ryosan Group sells display devices, power supplies, and mechanical components. The year under review saw higher sales of LCDs for PDAs, LCD display units for video game machines and key units for cellphones. Net sales in the electronic components segment rose 1.8% to ¥116,113 million and operating income climbed 31.6% to ¥4,119 million.

###### c. Electronic equipment

The Ryosan Group sells system equipment and facilities equipment. Sales of system equipment for office automation equipment increased in the fiscal year ended March 31, 2005. Net sales in this segment rose 13.7% to ¥24,924 million and operating income rose 13.3% to ¥843 million.

###### d. Ryosan products

The Ryosan Group manufactures and sells heat sinks, which are devices that dissipate the heat generated by semiconductor devices. In the year under review, sales of heat sinks for measuring

instruments, televisions and audio equipment were higher. As a result, net segment sales increased 11.4% to ¥7,778 million and operating income rose 3.8% to ¥1,109 million.

### 3. Geographical segment information

#### a. Japan

The year under review saw rises in sales of semiconductors, including ASICs for hard disk drives and cellphones, and of memories for personal computers and cellphones. As a result, net sales in Japan rose 3.4% to ¥231,569 million and operating income was up 11.9% to ¥7,195 million.

#### b. Asia

The year under review saw rises in sales of semiconductors, including ICs for car audio and memories for personal computers, and electronic components, including LCDs for PDAs. As a result, net sales in Asia rose 33.1% to ¥85,525 million and operating income was up 10.7% to ¥2,196 million.

(Note: The above amounts do not include consumption and other taxes)

#### 4. Year-end dividend for the fiscal year ended March 31, 2005

Ryosan forecasts an ordinary dividend for the fiscal year ended March 31, 2005 of ¥60 per share, comprising an interim dividend of ¥20 per share and a year-end dividend of ¥40 per share.

## (2) Outlook for the fiscal year ending March 31, 2006

### 1. Projected operating results

Ryosan expects increasing uncertainty over the U.S. economy, the principal driver of the global economy, due to changes in fiscal policy and the fact that the impact of tax reductions has run its course. In addition, the Chinese economy's growth rate is also slowing, as a restrictive monetary policy starts to affect the economy. Against the backdrop of these factors, the majority consensus predicts a slowdown in macroeconomic growth.

In this economic climate, the Ryosan Group intends to achieve improved business results by pursuing the fundamental themes formulated for the second year of the 6th Med-term management plan: Growth strategy, Segment strategy, and Establishment of a Strong Business Infrastructure.

Forecasts for the fiscal year ending March 31, 2006 are as follows:

Consolidated

		(Y-o-Y change, %)
Net sales	¥320.0 billion	0.9%
Operating income	¥10.0 billion	1.9%
Ordinary income	¥10.6 billion	0.6%
Net income	¥6.3 billion	7.4%

## 2. Projected operating results by business segment

### a. Semiconductors

Ryosan projects higher sales of memories for servers, personal computers and hard disk drives, and LCD driver ICs. Net sales in this segment are thus forecast to rise 4.6% to ¥176,000 million, and operating income will rise 14.8% to ¥7,710 million.

### b. Electronic components

Ryosan projects lower sales of LCD displays used in cellphones and digital still cameras. Taking this into account, net sales in this segment are projected to decrease 3.1% to ¥112,500 million, and operating income is expected to fall 5.3% to ¥3,900 million.

### c. Electronic equipment

Sales of system equipment for office automation equipment are projected to decrease. Net sales in this segment are thus expected to decrease 2.9% to ¥24,200 million, operating income is expected to fall 0.4% to ¥840 million.

### d. Ryosan products

Lower sales of heat sinks for measuring instruments and televisions are projected. As a result, segment sales are projected to decrease 6.1% to ¥7,300 million, and operating income is expected to fall 5.3% to ¥1,050 million.

These forecasts represent projected figures subject to certain risks and uncertainties. Thus there may be a significant discrepancy between the forecasts and actual results, depending on such factors as:

- Economic trends in major markets (Japan, Asia, etc.); rapid changes in consumer trends and sudden shifts in supply and demand dynamics
- Large fluctuations in the dollar-yen exchange rate
- Major shifts in capital markets

## 3. Projected dividend for the year

Based on the forecasts above, Ryosan forecasts an ordinary dividend for the fiscal year ending March 31, 2006 of ¥60 per share, comprising an interim dividend of ¥30 per share and a year-end dividend of ¥30 per share.

#### 4. Business Risk

The Ryosan Group, its performance, share price, and financial position, are subject to a variety of risks. Forward-looking statements contained in this section represent judgments of Ryosan Group's management based on information available as of the end of the current fiscal year (March 31, 2005).

(1) Sudden changes in economic environment

The Ryosan Group's consolidated revenues are derived from the level of demand generated by customers of device manufacturers. Against this backdrop, the Group's fortunes are necessarily impacted by changes in economic conditions in those countries and regions in which Ryosan's principal clients operate. As a result, Ryosan's performance and its financial position can be expected to deteriorate in the event of economic downturn and resulting slowdown in demand in its principal markets, such as Japan, Asia and other regions.

(2) Exchange rate fluctuation

The Ryosan Group engages in the manufacture and sale of products across a number of regions including Japan, Asia and other countries. In preparing consolidated financial statements, sales, expenses, assets and liabilities, denominated in foreign currencies are translated into yen as of the Company's balance sheet date. In principle, appreciation of the yen against major currencies impacts negatively on Ryosan's performance, while a weak yen impacts favorably.

As a result, Ryosan's consolidated operating results and financial position are subject to fluctuations in foreign exchange rates.

(3) Overseas business risk

The Ryosan Group does not operate in Japan alone. It also operates overseas, mainly in Asia. As a result it is exposed to the following risks. The materialization of any of the following risks could adversely affect Ryosan Group's operating results and its financial position.

- (a) Unforeseen changes in statutory and regulatory requirements and adverse changes in tax requirements
- (b) Inadequate and insufficient local infrastructure in the countries in which the Ryosan Group operates
- (c) Development of adverse political factors
- (d) Social unrest arising out of war, acts of terrorism and other developments

(4) Capital market volatility

As a part of its business activities the Ryosan Group holds shares in certain financial institutions, customers and suppliers, and is therefore susceptible to stock price fluctuations. Ryosan does not, however, adopt specific methods as a hedge against movements in stock prices. Accordingly, Ryosan's performance and financial position are subject to substantial changes in stock markets.

(5) Liability for retirement benefits

Ryosan accounts for retirement benefit expenses and the liability for retirement benefits using certain assumptions and an expected rate of return applicable to the Group's pension plan assets for actuarial projections. In the event that actual obligation differs from the projected obligation or there is a change in the assumptions leading to the calculation of the projected obligation, the difference in retirement benefit expenses and the liability for retirement benefits are accrued and amortized over a generally accepted period. As a result, any significant decline in the discount rate and expected rate of return applicable to the Group's pension plan assets can impact its performance and financial

position.

Ryosan is a participant of the Tokyo Metropolitan Electric Welfare Pension Fund, which has experienced a significant deterioration in its investment activities. As a result, there is a substantial shortfall in its liability for retirement benefits. Depending on the accounting treatment applied to this shortfall, Ryosan may be subject to a negative impact on its operating performance and financial position.

## 5. Financial condition

### (1) Cash flows

Cash and cash equivalents on March 31, 2005 were ¥25,737 million, ¥4,926 million less than at the previous fiscal year-end. The main reasons were increases in notes and accounts receivable and inventories.

#### Cash flows from operating activities

Net cash used in operating activities amounted to ¥8,213 million. This was primarily due to increases in notes and accounts receivable of ¥6,916 million and inventories of ¥6,030 million, and a decrease in notes and accounts payable of ¥4,784 million, which was partly offset by income before income taxes amounting to ¥9,748 million.

#### Cash flows from investing activities

Net cash provided by investing activities increased to ¥2,525 million. This was mainly attributable to a cash inflow of ¥3,100 million from the redemption of securities.

#### Cash flows from financing activities

Net cash provided by financing activities increased to ¥834 million. The main component was a net increase in short-term bank loans of ¥3,067 million, which was partly offset by cash dividends paid of ¥1,647 million and the repurchase of ¥1,145 million in treasury stock.

Key indicators of the financial condition of the Ryosan Group are as follows:

	Fiscal year ended March 31, 2001	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005
Shareholders' equity ratio (%)	60.4	71.6	67.5	62.5	63.1
Shareholders' equity ratio using fair value (%)	44.7	39.2	29.6	48.5	57.9
Average debt repayment period (years)	-	-	2.0	1.1	-
Interest coverage ratio (times)	-	136.5	23.4	45.3	-

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio using fair value: Market capitalization / Total assets

Average debt repayment period: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest expenses

\*All indicators have been calculated from consolidated financial figures.

\*Market capitalization was calculated as the product of the stock's closing price at the fiscal year-end and the number of shares issued and outstanding at the fiscal year-end.

\*Operating cash flow refers to cash flows from operating activities as shown on the consolidated statements of cash flows.

Interest-bearing debt comprises all debt on which interest was paid in the liabilities section of the consolidated balance sheets. Interest expenses represent interest paid as shown on the consolidated statements of cash flows.

\*The average debt repayment period and interest coverage ratio are presented with a minus sign when operating cash flows are negative.

## CONSOLIDATED BALANCE SHEETS

(Millions of yen, figures less than ¥1 million have been omitted)

ITEM	March 31, 2005		March 31, 2004		Increase/ (Decrease)
		%		%	
<b>ASSETS</b>					
<b>I Current assets:</b>	152,367	86.1	147,672	85.7	4,694
1. Cash and deposits	12,816		9,813		3,003
2. Trade notes and accounts receivable	103,889		96,476		7,412
3. Marketable securities	12,998		24,008		(11,010)
4. Inventories	20,401		14,301		6,100
5. Accrued income	1,395		1,766		(370)
6. Deferred tax assets	766		928		(161)
7. Other current assets	392		529		(136)
8. Allowance for doubtful accounts	(293)		(152)		(141)
<b>II Fixed assets:</b>	24,576	13.9	24,648	14.3	(72)
1. Property, plant and equipment	15,246	8.6	15,696	9.1	(450)
(1) Buildings and structures	6,210		6,628		(418)
(2) Land	8,205		8,203		2
(3) Other fixed assets	829		863		(34)
2. Intangible fixed assets	648	0.4	639	0.4	9
3. Investments and other assets	8,681	4.9	8,313	4.8	367
(1) Investment securities	6,158		6,028		129
(2) Deferred tax assets	928		768		160
(3) Other	1,863		1,718		145
(4) Allowance for doubtful accounts	(204)		(186)		(18)
(5) Allowance for loss on investments	(65)		(16)		(49)
<b>Total assets</b>	176,943	100.0	172,321	100.0	4,622

(Millions of yen, figures less than ¥1 million have been omitted)

ITEM	March 31, 2005		March 31, 2004		Increase/ (Decrease)
		%		%	
<b>LIABILITIES</b>					
<b>I Current liabilities:</b>	62,958	35.6	62,607	36.3	351
1. Trade notes and accounts payable	52,684		56,994		(4,310)
2. Short-term bank loans	4,812		1,669		3,142
3. Accrued expenses	1,447		1,657		(210)
4. Accrued income taxes	2,677		1,198		1,478
5. Other current liabilities	1,336		1,086		250
<b>II Long-term liabilities:</b>	2,164	1.2	1,917	1.1	246
1. Employees' retirement benefits	1,716		1,452		263
2. Directors' severance payments	341		365		(24)
3. Other long-term liabilities	106		99		6
<b>Total liabilities</b>	<b>65,122</b>	<b>36.8</b>	<b>64,524</b>	<b>37.4</b>	<b>598</b>
<b>MINORITY INTERESTS</b>					
Minority interests	105	0.1	186	0.1	(80)
<b>SHAREHOLDERS' EQUITY</b>					
I Common stock	17,690	10.0	17,690	10.3	-
II Additional paid-in capital	19,122	10.8	19,114	11.1	7
III Retained earnings	74,299	42.0	71,328	41.4	2,971
IV Net unrealized gain on other marketable securities	1,338	0.7	960	0.6	377
V Foreign currency translation adjustments	(667)	(0.4)	(827)	(0.5)	159
VI Treasury stock	(68)	(0.0)	(656)	(0.4)	588
<b>Total shareholders' equity</b>	<b>111,714</b>	<b>63.1</b>	<b>107,610</b>	<b>62.5</b>	<b>4,104</b>
<b>Total liabilities, minority interests, and shareholders' equity</b>	<b>176,943</b>	<b>100.0</b>	<b>172,321</b>	<b>100.0</b>	<b>4,622</b>

# CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen, figures less than ¥1 million have been omitted)

ITEM	Year Ended March 31, 2005		Year Ended March 31, 2004		Increase/ (Decrease)
		%		%	
<b>I Net sales</b>	317,095	100.0	288,240	100.0	28,854
<b>II Cost of sales</b>	291,855	92.0	265,721	92.2	26,134
Gross profit	25,239	8.0	22,519	7.8	2,720
<b>III Selling, general and administrative expenses</b>	15,422	4.9	14,554	5.0	867
1. Packaging and freight expenses	842		768		73
2. Transfer to allowance for doubtful accounts	169		85		84
3. Directors' remuneration	382		402		(20)
4. Employees' salaries	3,521		3,282		238
5. Bonuses	1,571		1,390		181
6. Retirement benefit expense	547		513		33
7. Provision of allowance for directors' severance payments	42		46		(3)
8. Employee benefits	776		659		117
9. Depreciation and amortization	747		727		19
10. Others	6,821		6,677		143
Operating income	9,816	3.1	7,964	2.8	1,852
<b>IV Non-operating income</b>	918	0.3	1,132	0.4	(214)
1. Interest income	121		199		(78)
2. Dividend income	58		31		27
3. Discounts on purchases	61		58		3
4. Compensation income	247		-		247
5. Foreign exchange gains	46		494		(447)
6. Others	381		349		32
<b>V Non-operating expenses</b>	193	0.1	166	0.1	26
1. Interest expense	79		33		45
2. Others	113		133		(19)
Ordinary income	10,541	3.3	8,930	3.1	1,611
<b>VI Extraordinary gains</b>	79	0.0	154	0.1	(75)
1. Gain on sales of property, plant and equipment	43		1		42
2. Gain on sales of investment securities	35		127		(91)
3. Gain on reversal of allowance for loss on investments	-		26		(26)
<b>VII Extraordinary losses</b>	872	0.2	200	0.1	671
1. Loss on sale and disposal of property, plant and equipment	160		74		86
2. Loss on devaluation of investment securities	643		121		521
3. Provision of allowance for loss on investments	49		-		49
4. Loss on devaluation of golf memberships	18		4		14
<b>Income before income taxes and minority interests</b>	9,748	3.1	8,884	3.1	863
Income taxes-current	4,206	1.3	3,432	1.2	774
Income taxes-deferred	(271)	(0.1)	(242)	(0.1)	(29)
Minority interests (losses)	(54)	(0.0)	(10)	(0.0)	(43)
<b>Net income</b>	5,867	1.9	5,705	2.0	162

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen, figures less than ¥1 million have been omitted)

ITEM	Year Ended March 31, 2005	Year Ended March 31, 2004	Increase/ (Decrease)
<b>ADDITIONAL PAID IN CAPITAL</b>			
I Balance at beginning of period	19,114	19,114	
II Increase in paid-in capital	7		7
1. Earnings from disposal of treasury stock	7		7
III Balance at end of period	19,122	19,114	7
<b>RETAINED EARNINGS</b>			
I Balance at beginning of period	71,328	69,944	1,383
II Increase in retained earnings	5,867	5,882	(14)
1. Increase in retained earnings due to increase in number of consolidated subsidiaries		177	(177)
2. Net income	5,867	5,705	162
III Decrease in retained earnings	2,896	4,499	(1,602)
1. Decrease in retained earnings due to exclusion of consolidated subsidiaries	10		10
2. Cash dividends	1,647	1,138	509
3. Bonuses to directors	69	59	9
4. Retirement of treasury stock	1,169	3,301	(2,131)
IV Balance at end of period	74,299	71,328	2,971

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen, figures less than ¥1 million have been omitted)

ITEM	Year Ended March 31, 2005	Year Ended March 31, 2004
<b>I Operating activities:</b>		
Income before income taxes	9,748	8,884
Depreciation and amortization	861	844
Amortization of goodwill	3	1
Increase (decrease) in severances allowance for employees	263	123
Increase (decrease) in retirement allowances for directors	(24)	24
Increase (decrease) of allowance for doubtful accounts	159	57
Interest and dividend income	(180)	(231)
Interest expense	79	33
Gains on sales of property, plant and equipment	(43)	(1)
Losses on sale and disposal of property, plant and equipment	160	74
Gains on sales of investment securities	(35)	(127)
Losses on devaluation of investment securities	643	121
Other expenses	(526)	47
(Increase) decrease in notes and accounts receivable	(6,916)	(14,920)
(Increase) decrease in inventories	(6,030)	(2,917)
Increase (decrease) in accounts payable	(4,784)	15,277
Directors' bonuses paid	(69)	(59)
(Decrease) increase in other assets and liabilities	1,266	(478)
Subtotal	(5,423)	6,753
Interest and dividends received	175	229
Interest paid	(78)	(33)
Income taxes paid	(2,886)	(5,438)
Net cash (used in) provided by operating activities	(8,213)	1,511
<b>II Investing activities:</b>		
Net decrease (increase) of time deposits	79	(51)
Proceeds from redemption of securities	3,100	
Purchases of property, plant and equipment	(323)	(382)
Proceeds from sales of property, plant and equipment	75	5
Purchases of intangible fixed assets	(240)	(310)
Purchases of investment securities	(200)	(1,882)
Proceeds from sales of investment securities	83	246
Purchases of equity in affiliated companies		(6)
Investments in affiliated companies	(157)	
Increase in loans	(22)	(117)
Proceeds from collection of loans	132	90
Increase (decrease) in investments and other assets	0	(14)
Net cash provided by (used in) investing activities	2,525	(2,421)
<b>III Financing activities:</b>		
Increase (decrease) in short-term borrowings, net	3,067	868
Repurchase of treasury stock	(1,144)	(3,321)
Proceeds from exercise of stock options	571	
Cash dividends paid	(1,647)	(1,138)
Cash dividends paid to minority shareholders	(11)	(4)
Net cash provided by (used in) financing activities	834	(3,596)
<b>IV Effect of foreign currency translation adjustments on cash and cash equivalents</b>	(5)	147
<b>V Net (decrease) increase in cash and cash equivalents</b>	(4,858)	(4,359)
<b>VI Cash and cash equivalents, beginning of year</b>	30,663	34,841
<b>VII Net increase in cash and cash equivalents of newly consolidated subsidiaries</b>		181
<b>VIII Net decrease in cash and cash equivalents of subsidiaries excluded from consolidation</b>	(67)	
<b>IX Cash and cash equivalents, end of year</b>	25,737	30,663

## SEGMENT INFORMATION

### 1. Segment information by business type

Year ended March 31, 2005

(Millions of yen, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>							
Sales:							
(1) Sales to external customers	168,278	116,113	24,924	7,778	317,095	-	317,095
(2) Internal sales between segments, or exchanges	-	-	-	-	-	-	-
Total sales	168,278	116,113	24,924	7,778	317,095	-	317,095
Operating expenses	161,563	111,993	24,081	6,669	304,307	2,970	307,278
Operating income	6,714	4,119	843	1,109	12,787	(2,970)	9,816
<b>II Assets, depreciation and capital expenditures:</b>							
Total assets	80,847	52,412	11,477	5,059	149,796	27,146	176,943
Depreciation	447	251	47	99	845	15	861
Capital expenditure	320	77	14	151	564	-	564

Year ended March 31, 2004

(Millions of yen, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>							
Sales:							
(1) Sales to external customers	145,274	114,070	21,912	6,983	288,240	-	288,240
(2) Internal sales between segments, or exchanges	-	-	-	-	-	-	-
Total sales	145,274	114,070	21,912	6,983	288,240	-	288,240
Operating expenses	139,558	110,939	21,167	5,914	277,580	2,695	280,276
Operating income	5,715	3,130	744	1,068	10,659	(2,695)	7,964
<b>II Assets, depreciation and capital expenditures:</b>							
Total assets	69,250	53,184	10,097	4,583	137,117	35,203	172,321
Depreciation	397	285	46	96	826	17	844
Capital expenditures	472	135	24	58	692	-	692

Notes:

1. Methods of determining business segments and main products classified under each business segment

(1) Business segments are classified on the basis of organization, product type and sales structure.

(2) Main products of each business segment:

Semiconductors: memories, system LSIs, discrete semiconductors

Electronic components: display devices, power supplies, mechanical components

Electronic equipment: system equipment, facilities equipment

Ryosan products: heat sinks (for semiconductor devices)

2. Unallocated operating expenses included in "Eliminations or corporate" totaled ¥2,970 million in the fiscal year ended March 31, 2005 and ¥2,695 million in the fiscal year ended March 31, 2004. These expenses consisted principally of expenses related to the planning, general affairs, personnel and accounting departments of the parent company.

3. Total assets included in "Eliminations or corporate" were ¥27,146 million at March 31, 2005 and ¥35,203 million at March 31, 2004. These assets mainly include an excess fund for investment at the parent company (marketable securities), long-term investment funds (investment and marketable securities) and assets related to the administration department.

## 2. Geographical segment information

Year ended March 31, 2005

(Millions of yen, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1) Sales to external customers	231,569	85,525	317,095	-	317,095
(2) Internal sales between segments, or exchanges	8,078	751	8,829	(8,829)	-
Total sales	239,647	86,276	325,924	(8,829)	317,095
Operating expenses	232,452	84,079	316,532	(9,254)	307,278
Operating income	7,195	2,196	9,391	424	9,816
<b>II Assets</b>	152,781	24,161	176,943	-	176,943

Year ended March 31, 2004

(Millions of yen, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
<b>I Sales and operating income</b>					
Sales:					
(1) Sales to external customers	223,996	64,244	288,240	-	288,240
(2) Internal sales between segments, or exchanges	7,094	769	7,864	(7,864)	-
Total sales	231,091	65,013	296,104	(7,864)	288,240
Operating expenses	224,662	63,029	287,692	(7,416)	280,276
Operating income	6,429	1,983	8,412	(447)	7,964
<b>II Assets</b>	152,844	19,476	172,321	-	172,321

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:  
Asia Hong Kong, Singapore, Taiwan, Malaysia and others
3. Operating expenses are allocated to each geographical segment.

### 3. Overseas sales

Year ended March 31, 2005

(Millions of yen, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	107,441	107,441
II Consolidated net sales		317,095
III Ratio of overseas sales to consolidated net sales (%)	33.9	33.9

Year ended March 31, 2004

(Millions of yen, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	88,281	88,281
II Consolidated net sales		288,240
III Ratio of overseas sales to consolidated net sales (%)	30.6	30.6

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:  
Asia    Hong Kong, Korea, China, Taiwan and others
3. Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding intra-group sales).

## MANUFACTURING, NEW ORDERS AND SALES

### 1. Manufacturing

(Millions of yen, figures less than ¥1 million have been omitted)

	Year Ended March 31, 2005	Year Ended March 31, 2004
Heat sinks	6,666	5,992

### 2. New Orders

(Millions of yen, figures less than ¥1 million have been omitted)

	Year Ended March 31, 2005	Year Ended March 31, 2004
Semiconductors	170,498	152,692
Electronic components	117,339	124,667
Electronic equipment	25,522	20,957
Ryosan Products	8,518	7,872
Total	321,878	306,189

### 3. Sales

(Millions of yen, figures less than ¥1 million have been omitted)

	Year Ended March 31, 2005	Year Ended March 31, 2004
Semiconductors	168,278	145,274
Electronic components	116,113	114,070
Electronic Equipment	24,924	21,912
Ryosan Products	7,778	6,983
Total	317,095	288,240